

FISCAL NOTE

Bill #: HB0231

Title: Revise tax penalty and interest

Primary Sponsor: Waitschies, K

Status: Second Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

Expenditures:

General Fund

FY 2004

Difference

\$0

FY 2005

Difference

\$9,873

Revenue:

General Fund

\$0

(\$200,311)

Net Impact on General Fund Balance:

\$0

(\$210,184)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill amends the uniform penalty and interest assessments provisions of MCA, 15-1-126, and other statutes, to reduce late payment penalties from 1.5% to 0.75% per month, and reduce interest on late payments (and underpayment of quarterly estimated tax payments) from 12% to 9% per year. Generally speaking, late payment penalties are cut in half, and interest payments are reduced by a quarter.
2. Based on total penalties collected in fiscal year 2002 of \$3,032,227; and total interest collections of \$3,831,881; general fund revenue collections would be reduced by an annualized amount of \$2,474,084 ($\$3,831,881 \times 25\%$ plus $\$3,032,227 \times 50\% = \$2,474,084$).
3. This bill applies to penalties and interest assessed for tax periods beginning after December 31, 2004. There is no fiscal impact in fiscal year 2004.
4. The impact in fiscal year 2005 would pertain only to withholding tax collections. Only a half-year impact would occur. Based on fiscal year 2002 total withholding interest revenue of \$1,161,067 and withholding penalty revenue of \$220,710; general fund revenues would be reduced by \$200,311 in fiscal year 2005 ($\$1,161,067 \times 0.5 \times 0.25 = \$145,134$) plus ($\$220,710 \times 0.5 \times 0.5 = \$55,178$) = \$200,311.
5. The Department would incur additional administrative expense of \$9,873 in fiscal year 2005 to provide the programming needed to change interest rates in tax collection and reporting systems.

LONG-RANGE IMPACTS:

Beginning with fiscal year 2006, penalties and interest general fund revenue would be reduced by about \$2.5 million annually under this bill.